

LONDON TOWNSHIP
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

March 31, 2008

LONDON TOWNSHIP

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Independent Auditor's Report

Township Board
London Township
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of London Township, Monroe County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of London Township, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Township, Monroe County, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise London Township, Monroe County, Michigan basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 2, 2008

LONDON TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2008

This section of the London Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Funds, and the Permanent Fund.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand London Township financially as a whole. The ***Government-Wide Financial Statements***, which include the statement of Net Assets and the Statement of Activities, provide information about the activities of the Township as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Township's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Township's most significant funds – the General Fund, the Sewer Special Revenue Fund, and the Water Debt Fund. All other funds are presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)*

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

LONDON TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2008*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 9-10), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Township's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Township, which encompass all of the Township's services, including general government services, public safety, public works, and culture and recreation. Property taxes, state grants, and charges for services finance most of these activities.

Fund Financial Statements

The Township's Fund Financial Statements (pages 11-17) provide detailed information about the most significant or "major" funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

Governmental funds – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 13 and 16.

Fiduciary funds – An Agency Fund is used to account for assets held by the Township as an agent for the collection and disbursement of property taxes.

LONDON TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2008*

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2008 and 2007:

Table 1:

Condensed Statement of Net Assets

	<u>Governmental</u> <u>2008</u>	<u>Activities</u> <u>2007</u>
Current and other assets	\$ 733,418	\$ 827,312
Investment in joint ventures	609,276	594,962
Capital assets, net	<u>649,810</u>	<u>697,009</u>
Total Assets	<u>1,992,504</u>	<u>2,119,283</u>
Current and other liabilities	13,634	30,867
Long-term liabilities	<u>263,466</u>	<u>306,074</u>
Total Liabilities	<u>277,100</u>	<u>336,941</u>
Net Assets		
Invested in capital assets, net of related debt	942,794	879,364
Restricted	375,688	467,440
Unrestricted	<u>396,922</u>	<u>435,538</u>
Total Net Assets	<u>\$1,715,404</u>	<u>\$1,782,342</u>

As depicted in Table 1, the Township's net assets were \$1.715 million at March 31, 2008. Of this amount, a positive \$396,922 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future growth and uncertainties. It means that if we had to pay off all our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

LONDON TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2008

Governmental-Wide Financial Analysis – Concluded

The results of this year's operations for the Township as a whole are reported in the Statement of Activities. Table 2 shows the changes in the net assets for the calendar year ended March 31, 2008 and 2007.

Table 2:

Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:		
Charges for services	\$ 92,631	\$ 67,520
Operating grants and contributions	<u>680</u>	<u>667</u>
	93,311	68,187
General revenues:		
Property taxes	183,199	176,869
State grants	210,829	214,107
Other general revenues	<u>39,819</u>	<u>85,048</u>
	<u>433,847</u>	<u>476,024</u>
Total Revenues	527,158	544,211
Functions/Program Expenses		
Legislative	19,682	21,480
General government	195,033	183,996
Public safety	220,498	253,489
Public works	141,864	84,531
Culture and recreation	1,788	2,308
Interest on long-term debt	<u>15,231</u>	<u>17,691</u>
Total Expenses	<u>594,096</u>	<u>563,495</u>
Increase (Decrease) in Net Assets	<u>\$ (66,938)</u>	<u>\$ (19,284)</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$594,096. Of this amount, \$93,311 was subsidized with revenue generated from charges for services, grants and other contributions with the remaining costs financed with general revenues.

The Township's governmental activities experienced a decrease in net assets of \$66,938. A reconciliation of the change in fund balances to the change in net assets appears on page 16.

LONDON TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2008

Fund Financial Analysis

As noted earlier, the Township uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether London Township is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$585,321, which is a decrease of \$55,720 from last year. The changes by fund types are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Retirement Funds</u>	<u>Permanent Fund</u>	<u>Total</u>
Fund balances – Beginning of year	\$340,845	\$113,944	\$180,952	\$5,300	\$641,041
Increase (decrease)	(16,265)	(33,483)	(5,972)	—	(55,720)
Fund balances – End of year	<u>\$324,580</u>	<u>\$ 80,461</u>	<u>\$174,980</u>	<u>\$ 5,300</u>	<u>\$585,321</u>

The Township's General Fund revenues decreased by \$12,170. Other revenue experienced the largest decrease, and charges for services had the largest increase.

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>Percent Change</u>
Revenues			
Property taxes	\$183,199	\$176,869	3.6 %
Licenses and permits	11,423	11,297	1.1 %
State grants	210,829	214,107	(1.5) %
Charges for services	45,521	20,607	120.9 %
Interest and rent	21,669	24,175	(10.4)%
Other	<u>335</u>	<u>38,091</u>	(99.1)%
Total revenues	<u>\$472,976</u>	<u>\$485,146</u>	(2.5) %

The Township's expenditures decreased from \$491,254 in 2007 to \$489,241 in 2008. General government expenditures decreased 27.9% due to fewer building and grounds expenditures, and public works increased 122.1% due to road projects.

LONDON TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2008

Fund Financial Analysis – Concluded

	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>Percent Change</u>
Expenditures			
Legislative	\$ 19,682	\$ 21,480	(8.4)%
General government	158,873	220,268	(27.9)%
Public safety	199,808	186,703	7.0 %
Public works	85,386	38,446	122.1 %
Culture and recreation	3,001	2,823	6.3 %
Other	<u>22,491</u>	<u>21,534</u>	4.4 %
Total Expenditures	<u>\$489,241</u>	<u>\$491,254</u>	(0.4)%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Township Board to adopt the original budget prior to April 1, the start of the fiscal year. Over the course of the year, the Township is allowed to revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these statements. Revisions to the General Fund budget were as follows:

Revenues - The Township's original budget was not amended. Budgeted revenue was \$500,000. Several factors impact the planning of it. At March 31, 2008, state-shared revenue accounted for approximately 45% of the total yearly revenue with property taxes accounting for approximately 39%.

Expenditures – The Township's original budget was amended to increase expenditures by \$10,000. Other expenditures were increased \$20,000, public works budget was decreased \$20,600, and culture and recreation was increased \$600.

LONDON TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2008

Capital Asset and Debt Administration

Capital Assets

At March 31, 2008, the Township had \$1.4 million invested in a broad range of capital assets, including land improvements, building and improvements, machinery and equipment, furniture and fixtures, and water and sewer lines. This year the Township did not have any additions or deletions to fixed assets. Depreciation for this year totaled \$47,199. Details regarding capital assets are included in Note 7 to the financial statements.

Debt

At March 31, 2008, the Township had the water and sewer contract liabilities for Collingwood Estates totaling \$263,466. The Township has levied special assessments on the residents receiving water and sewer service. Detailed information regarding debt is included in Note 8 to the financial statements.

Development of the 2009 Fiscal Year Budget

Our elected officials consider many factors when setting the Township's 2009 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget, such as State budget constraints decreasing revenue sharing. In 2008-2009 the Township's General Fund budget anticipates revenues of \$501,000 and expenditures of \$576,100 which means that it will use up \$75,100 of the carryover fund balance.

Contacting London Township

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate their accountability for the money it receives. If you have any questions about this report or need additional information, contact the London Township Clerk, 13613 Tuttlehill Road, Milan, MI 48160.

LONDON TOWNSHIP*Statement of Net Assets*
March 31, 2008

	Governmental Activities
Assets	
Cash and cash with fiscal agent	\$424,054
Certificates of deposit	75,300
Receivables:	
Taxes	29,580
Tap fees and special assessments	156,376
Accounts and accrued interest	7,585
Due from other governmental units	40,523
Investment in joint ventures:	
London Maybee Raisinville Exeter Library	20,852
London Maybee Raisinville Fire Department	440,453
Milan Area Fire Department	147,971
Depreciable capital assets, net	649,810
Total Assets	1,992,504
Liabilities	
Accounts payable	4,618
Accrued interest payable	5,988
Due to other governmental units	3,028
Long-term liabilities:	
Due within one year	42,608
Due in more than one year	220,858
Total Liabilities	277,100
Net Assets	
Invested in capital assets, net of related debt	942,794
Restricted for debt service	315,431
Restricted for building code enforcement	2,131
Restricted for cemetery care non-expendable	5,300
Restricted for fire protection	45,839
Restricted for library	6,987
Unrestricted	396,922
Total Net Assets	\$1,715,404

See accompanying notes to the basic financial statements.

LONDON TOWNSHIP

Statement of Activities *Year Ended March 31, 2008*

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
	Expenses	for Services	Grants and	Changes in
Functions/Programs			Contributions	Net Assets
				Governmental
				Activities
Governmental Activities:				
Legislative	\$19,682	\$0	\$0	(\$19,682)
General government	195,033	45,174	0	(149,859)
Public safety	220,498	33,501	680	(186,317)
Public works	141,864	13,956	0	(127,908)
Culture and recreation	1,788	0	0	(1,788)
Interest on long-term debt	15,231	0	0	(15,231)
Total Governmental Activities	<u>\$594,096</u>	<u>\$92,631</u>	<u>\$680</u>	(500,785)
General Revenues:				
Property taxes				183,199
State grants				210,829
Interest and rent				39,462
Other				357
Total General Revenues				<u>433,847</u>
Change in Net Assets				(66,938)
Net Assets - Beginning of year				<u>1,782,342</u>
Net Assets - End of year				<u>\$1,715,404</u>

See accompanying notes to the basic financial statements.

LONDON TOWNSHIP

Governmental Funds Balance Sheet March 31, 2008

		Special Revenue Fund	Debt Service Fund
	General	Sewer	Water Debt
Assets			
Cash and cash with fiscal agent	\$197,963	\$67,523	\$140,711
Certificates of deposit	70,000	0	0
Receivables:			
Taxes	29,580	0	0
Tap fees and special assessments	0	1,466	154,910
Accounts and accrued interest	7,585	0	0
Due from other funds	0	5,825	4,084
Due from other governmental units	33,979	6,544	0
	<u>339,107</u>	<u>81,358</u>	<u>299,705</u>
Total Assets			
	<u>\$339,107</u>	<u>\$81,358</u>	<u>\$299,705</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$4,618	\$0	\$0
Due to other funds	9,909	0	0
Due to other governmental units	0	3,028	0
Deferred revenue	0	0	140,451
	<u>14,527</u>	<u>3,028</u>	<u>140,451</u>
Total Liabilities			
	14,527	3,028	140,451
Fund Balances			
Reserved for debt service	0	0	159,254
Reserved for Hack - Rapps	0	0	0
Unreserved - reported in:			
General Fund	324,580	0	0
Special Revenue Funds	0	78,330	0
	<u>324,580</u>	<u>78,330</u>	<u>159,254</u>
Total Fund Balances			
	324,580	78,330	159,254
	<u>339,107</u>	<u>81,358</u>	<u>299,705</u>
Total Liabilities and Fund Balances			
	<u>\$339,107</u>	<u>\$81,358</u>	<u>\$299,705</u>

See accompanying notes to the basic financial statements.

Other Nonmajor Governmental Funds	Totals
\$17,857	\$424,054
5,300	75,300
0	29,580
0	156,376
0	7,585
0	9,909
0	40,523
<u>\$23,157</u>	<u>\$743,327</u>
\$0	\$4,618
0	9,909
0	3,028
0	140,451
0	158,006
15,726	174,980
5,300	5,300
0	324,580
2,131	80,461
<u>23,157</u>	<u>585,321</u>
<u>\$23,157</u>	<u>\$743,327</u>

LONDON TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds		\$585,321
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$1,417,755	
Accumulated depreciation	<u>(767,945)</u>	649,810
Investment in London Maybee Raisinville Exeter Library joint venture is not a financial resource and is not reported in the funds		20,852
Investment in London Maybee Raisinville Fire Department joint venture is not a financial resource and is not reported in the funds		440,453
Investment in Milan Area Fire Department joint venture is not a financial resource and is not reported in the funds		147,971
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred revenue in the funds.		140,451
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Contract liability	(263,466)	
Accrued interest	<u>(5,988)</u>	(269,454)
Total Net Assets - Governmental Activities		<u>\$1,715,404</u>

See accompanying notes to the basic financial statements.

LONDON TOWNSHIP

*Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended March 31, 2008*

		Special Revenue Fund	Debt Service Fund
	General	Sewer	Water Debt
Revenues			
Property taxes and special assessments	\$183,199	\$0	\$21,894
Licenses and permits	11,423	0	0
State grants	210,829	0	0
Charges for services	45,521	13,956	0
Interest and rents	21,669	2,790	14,714
Other revenue	335	0	0
Total Revenues	472,976	16,746	36,608
Expenditures			
Legislative	19,682	0	0
General government	158,873	0	0
Public safety	199,808	0	0
Public works	85,386	23,890	0
Culture and recreation	3,001	0	0
Other	22,491	0	0
Debt service	0	0	42,187
Total Expenditures	489,241	23,890	42,187
Excess (Deficiency) of Revenue Over Expenditures	(16,265)	(7,144)	(5,579)
Other Financing Sources (Uses)			
Operating transfers in	0	0	0
Operating transfers out	0	(16,138)	0
Total Other Financing Sources (Uses)	0	(16,138)	0
Net Change in Fund Balances	(16,265)	(23,282)	(5,579)
Fund Balances - Beginning of year	340,845	101,612	164,833
Fund Balances - End of year	\$324,580	\$78,330	\$159,254

See accompanying notes to the basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$205,093
21,731	33,154
680	211,509
0	59,477
289	39,462
0	335
22,700	549,030
0	19,682
237	159,110
32,612	232,420
0	109,276
0	3,001
0	22,491
16,583	58,770
49,432	604,750
(26,732)	(55,720)
16,138	16,138
0	(16,138)
16,138	0
(10,594)	(55,720)
33,751	641,041
\$23,157	\$585,321

LONDON TOWNSHIP

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended March 31, 2008*

Net Change in Fund Balances - Total Governmental Funds		(\$55,720)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	<u>(\$47,199)</u>	(47,199)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		931
Change in London Maybee Raisinville Exeter Library joint venture equity interest is not a financial resource and is not reported in		1,213
Change in Milan Area Fire Department joint venture equity interest is not a financial resource and is not reported in		13,101
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(21,872)
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		<u>42,608</u>
Change in Net Assets of Governmental Activities		<u>(\$66,938)</u>

See accompanying notes to the basic financial statements.

LONDON TOWNSHIP

*Agency Fund
Statement of Fiduciary Net Assets
March 31, 2008*

		Tax Collection Agency Fund
Assets		
Cash		<u>\$2,792</u>
Liabilities		
Due to other governmental units		\$1,000
Due to taxing units		<u>1,792</u>
		<u>\$2,792</u>

See accompanying notes to the basic financial statements.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 1 Description of the Township and Reporting Entity

The Township operates under a locally elected five member Board form of government and provides the following services: public safety (fire), highways and streets, recreation and culture, public improvements, cemetery, planning and zoning, and general administrative services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

The following entities are not included herein as they operate as autonomous units:

London-Maybee-Raisinville-Exeter Library - This is a joint library supported by London, Raisinville, and Exeter Townships and the Village of Maybee to provide a library for these four governmental units. This library is audited as a part of the Exeter Township audit.

Milan Area Fire Department - This is a joint fire department supported by the City of Milan, London Township, Milan Township and York Township, to provide fire protection to the City and the Townships. The fire department is audited as a separate local unit of government.

London-Maybee-Raisinville Fire Department - This is a joint fire department supported by the Village of Maybee, London Township and Raisinville Township to provide fire protection to the Village and the Townships. The fire department is audited as a separate unit of government.

Note 2 Summary of Significant Accounting Policies

The financial statements of London Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Township's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. All of the Township's government-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

A. Government-Wide and Fund Financial Statements (Concluded)

Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, sales of property, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, and agency funds, even though the latter are excluded from the government-wide financial statements. Individual major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

LONDON TOWNSHIP

*Notes to Financial Statements
Year Ended March 31, 2008*

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Fund Financial Statements (Concluded)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. The General Fund accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Sewer Fund accounts for monies collected from the Collingwood Estates subdivision from special assessments and sewer charges that are used to pay maintenance and for transfers to the Sewer Debt Fund for bonded debt payments.

The Water Debt Fund accounts for the payment of special assessment bond principal and interest from special assessment levies for Collingwood Estates.

The Township reports the following nonmajor governmental funds:

The Building Department Fund, the Liquor Law Enforcement Fund, the Sewer Debt Fund and the Hack-Rapps Cemetery Fund.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Cash with Fiscal Agent

This consists of cash and certificates of deposit held by the County of Monroe in its debt retirement accounts for payment of maturing bond principal and interest on debt that it has incurred pursuant to contracting with London Township to acquire and construct water supply system improvements and facilities under Act 342, P.A. of 1948, as amended.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 and December 1 of the following year. Summer taxes are considered delinquent September 14, and winter taxes are considered delinquent February 14 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond March 31, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Concluded)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$1,500 and an estimated useful life in excess of one year. The Township has elected not to retroactively report infrastructure assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and buildings improvements	10-50 years
Machinery and equipment	3-10 years
Furniture and fixtures	7 years
Water and sewer lines	25-50 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 2 Summary of Significant Accounting Policies (Concluded)
Basis of Presentation (Concluded)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Township and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Township Board at the function level. Any budgetary modifications may only be made by resolution of the Township Board.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to March 31, the fiscal officer submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. A public hearing is conducted during March to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget are made when deemed necessary.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 3 Stewardship, Accountability and Compliance

The Township shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activities basis, which is the adopted legal level of control.

For the year ended March 31, 2008, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Sewer Debt Fund	\$16,000	\$16,583	\$(583)
Hack-Rapps Cemetery Fund	35	237	(202)

Note 4 Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Township may not be deposited in financial institutions located in states other than Michigan. The Township Board has adopted an investment policy authorizing certain types of investments and has authorized two depositories: Citizens Bank and JP Morgan Chase Bank.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At March 31, 2008, the Township had invested in such a fund with a local bank. The Township is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 4 Deposits - (Concluded)

Interest rate risk. The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Township will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Township's investment policy.

Concentration of credit risk. The Township does not place any limits on the amount the Township may deposit or invest in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$455,231 invested in certificates of deposit, checking accounts, and money markets. The Township's deposits are insured by the FDIC in the amount of \$200,000, with uninsured deposits of \$255,231. The Township's deposits are at institutions with an established record of fiscal health and service. The Township Board approves and designates a list of authorized depository institutions. The Township's investment policy does not address deposit risk.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Note 5 Interfund Payables and Receivables

Such balances at March 31, 2008 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water Debt	\$ -	\$4,084
Sewer Fund	-	5,825
Sewer Fund:		
General Fund	5,825	-
Water Debt Fund:		
General Fund	<u>4,084</u>	<u>-</u>
Total	<u>\$9,909</u>	<u>\$9,909</u>

Note 6 Interfund Transfers

Interfund transfers for the year ended March 31, 2008, consisted of the following:

	<u>Transfers Out</u>
	<u>Sewer Special Revenue Fund</u>
<u>Transfers In:</u>	
Sewer Debt Fund	<u>\$16,138</u>

The transfer from the Sewer Special Revenue Fund to the Sewer Debt Fund was to transfer sewer special assessment fees collected to the Sewer Debt Fund for payment of the related debt.

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 7

Capital Assets

Capital asset activity for the fiscal year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Governmental Activities:				
Assets not being depreciated:				
Land	\$31,909	\$0	\$0	\$31,909
Capital assets being depreciated:				
Land improvements	7,786	0	0	7,786
Building and building improvements	234,318	0	0	234,318
Machinery and Equipment	31,107	0	0	31,107
Furniture and Fixtures	2,492	0	0	2,492
Sewer lines	519,241	0	0	519,241
Water lines	590,902	0	0	590,902
Total capital assets	1,417,755	0	0	1,417,755
Less accumulated depreciation for:				
Land improvements	(5,320)	(389)	0	(5,709)
Building and building improvements	(91,970)	(11,199)	0	(103,169)
Machinery and Equipment	(22,215)	(3,023)	0	(25,238)
Furniture and Fixtures	(2,492)	0	0	(2,492)
Sewer lines	(456,933)	(20,770)	0	(477,703)
Water lines	(141,816)	(11,818)	0	(153,634)
Total accumulated depreciation	(720,746)	(47,199)	0	(767,945)
Net capital assets	<u>\$697,009</u>	<u>(\$47,199)</u>	<u>\$0</u>	<u>\$649,810</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$13,433
Public safety	1,178
Public works	<u>32,588</u>
Total governmental activities	<u>\$47,199</u>

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 8

Long-Term Debt

The following is a summary of the long term debt as of March 31, 2008:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Original Maturity Dates</u>	<u>Amount of Issue</u>	<u>Balance Outstanding</u>
<u>Contract Liability for:</u>					
Limited Tax Sewage Disposal System Bonds	5.25%	10/04/93	05/01/94- 05/01/08	\$180,000	\$ 15,000
Limited Tax Water Supply System Bonds (Maybe/Raisinville/ Exeter/London) - Series 1997	5.000%- 7.500%	04/01/97	05/01/98- 05/01/16	<u>530,574</u>	<u>248,466</u>
				<u>\$710,574</u>	<u>\$263,466</u>

The following is a summary of changes in long-term debt:

	<u>Balance 3/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>	<u>Due In One Year</u>
<u>Contract Liability:</u>					
Limited Tax Sewage Disposal System Bonds	\$ 30,000	\$ -	\$15,000	\$ 15,000	\$15,000
Limited Tax Water Supply System Bonds (Maybe/Raisinville/ Exeter/London) - Series 1997	<u>276,074</u>	<u>-</u>	<u>27,608</u>	<u>248,466</u>	<u>27,608</u>
	<u>\$306,074</u>	<u>\$ -</u>	<u>\$42,608</u>	<u>\$ 263,466</u>	<u>\$42,608</u>

The following are the repayment schedules of the March 31, 2008 balances:

Contract liability for General Obligation Limited Tax Sewage Disposal System Bonds for Collingwood Estates sewage disposal system project were issued by the County of Monroe to advance refund \$210,000 of outstanding 1983 Collingwood Estates Sewage Disposal System Bonds. London Township is financing these costs through a sewer connection fee of \$2,850.

<u>Year</u>	<u>Principal May 1</u>	<u>Interest May 1 Nov. 1</u>		<u>Total Due Annually</u>
2009	<u>\$15,000</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ 15,394</u>

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 8 **Long-Term Debt (Concluded)**

Contract liability for General Obligation Water Supply System Bonds-Maybee/Raisinville/Exeter/London-Series 1997 were issued by the County of Monroe to pay for establishment of water supply improvements and service to County's water supply system to serve the local units. London Township's share of the bond issue is 23%. London Township is financing their portion of the bond issue through a water connection fee of \$7,200.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total Due Annually</u>
	<u>May 1</u>	<u>May 1</u>	<u>Nov. 1</u>	
2009	\$ 27,608	\$ 6,791	\$ 6,060	\$ 40,459
2010	27,608	6,060	5,314	38,982
2011	27,608	5,314	4,555	37,477
2012	27,608	4,555	3,796	35,959
2013	27,608	3,796	3,037	34,441
2014	27,608	3,037	2,278	32,923
2015	27,608	2,278	1,519	31,405
2016	27,608	1,519	759	29,886
2017	<u>27,602</u>	<u>759</u>	<u>-</u>	<u>28,361</u>
	<u>\$248,466</u>	<u>\$34,109</u>	<u>\$27,318</u>	<u>\$309,893</u>

The annual requirements to pay principal and interest on the long-term debt outstanding at March 31, 2008, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 42,608	\$13,245	\$ 55,853
2010	27,608	11,374	38,982
2011	27,608	9,869	37,477
2012	27,608	8,351	35,959
2013	27,608	6,833	34,441
2014-2017	<u>110,426</u>	<u>12,149</u>	<u>122,575</u>
	<u>\$263,466</u>	<u>\$61,821</u>	<u>\$325,287</u>

LONDON TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2008

Note 9 Property Tax

The Township bills and collects its own property tax and also taxes for the County of Monroe, Dundee Community Schools, Milan Area Schools, Monroe County Community College, Monroe Intermediate School District, and Washtenaw Intermediate School District.

The Township levied 0.8630 mills for general operating and 0.9718 mills for fire and rescue for the 2007-2008 fiscal year on December 1, 2007 on assessed valuation as of December 31, 2006. The taxes are due and payable by February 14, 2008. Taxable values which amounted to \$99,563,558 represent a percentage of the fair market value of the assessed properties on December 31, 2006.

As of March 31, 2008, delinquent taxes of \$29,580 are reflected as a receivable in the general fund.

Note 10 Compensated Absences

The Township does not have a policy of providing employees with vacation or sick pay.

Note 11 Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975. London Township has elected to make reimbursement payments rather than to pay contributions as a contributing employer.

Note 12 Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 13 Related Party Transactions

As indicated in Note 1, the Township is involved in three joint ventures. During the year, the Township contributed the following:

London-Maybee-Raisinville-Exeter Library	\$ 3,001
Milan Area Fire Department	87,073
London-Maybee-Raisinville Fire Department	<u>93,730</u>
	<u>\$183,804</u>

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements for the fire departments can be obtained from London Township and a copy of the library audit can be obtained from Exeter Township, 6158 Maybee-Scofield Road, Maybee, Michigan 48159.

LONDON TOWNSHIP

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended March 31, 2008

	Budgeted Amounts			Positive (Negative) Budget
	Original	Final	Actual	
Revenues				
Taxes:				
Operating millage	\$90,000	\$90,000	\$86,288	(\$3,712)
Fire millage	95,000	95,000	96,911	1,911
	<u>185,000</u>	<u>185,000</u>	<u>183,199</u>	<u>(1,801)</u>
Licenses and permits	15,000	15,000	11,423	(3,577)
State grants	200,000	200,000	210,829	10,829
Charges for Services:				
Tax administration fee			33,053	
Zoning and appeal fees			3,450	
Cemetery charges			8,320	
Other charges			698	
	<u>50,000</u>	<u>50,000</u>	<u>45,521</u>	<u>(4,479)</u>
Interest and rents:				
Interest income			13,869	
Senior citizens rent			7,800	
	<u>25,000</u>	<u>25,000</u>	<u>21,669</u>	<u>(3,331)</u>
Other revenue	<u>25,000</u>	<u>25,000</u>	<u>335</u>	<u>(24,665)</u>
Total Revenues	500,000	500,000	472,976	(27,024)
Expenditures				
Legislative:				
Township board	20,000	30,000	19,682	10,318
General Government:				
Supervisor			17,817	
Elections			4,941	
Audit			13,880	
Assessor			18,049	
Attorney			1,816	
Clerk			19,537	
FOIA			1,012	
Board of review			650	
Treasurer			19,222	
Township hall and grounds			48,918	
Cemetery			13,031	
	<u>210,000</u>	<u>210,000</u>	<u>158,873</u>	<u>51,127</u>

LONDON TOWNSHIP

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended March 31, 2008

	Budgeted Amounts			Positive (Negative) Budget
	Original	Final	Actual	
Expenditures (Concluded)				
Public Safety:				
Ordinance enforcement			\$4,256	
Milan fire protection			87,073	
LMR fire protection			93,730	
Planning and zoning			14,749	
	220,000	220,000	199,808	20,192
Public Works:				
Roads and drains	140,000	119,400	85,386	34,014
Culture and Recreation:				
Maybee library	2,500	3,100	3,001	99
Other:				
Insurance and bonds			15,407	
Social security/Medicare			7,084	
	25,000	45,000	22,491	22,509
Total Expenditures	617,500	627,500	489,241	138,259
Net Change in Fund Balance	(117,500)	(127,500)	(16,265)	111,235
Fund Balance - Beginning of year	267,728	267,728	340,845	73,117
Fund Balance - End of year	\$150,228	\$140,228	\$324,580	\$184,352

LONDON TOWNSHIP

*Sewer Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended March 31, 2008*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Sewer use charges			\$13,956	
Interest income			2,790	
Total Revenues	27,000	27,000	16,746	(10,254)
Expenditures				
Public Works:				
Administration			790	
Maintenance			23,100	
Total Expenditures	30,000	30,000	23,890	6,110
Excess (Deficiency) of Revenues Over Expenditures	(3,000)	(3,000)	(7,144)	(4,144)
Other Financing Sources				
Operating transfers out	(16,000)	(16,000)	(16,138)	(138)
Net Change in Fund Balance	(19,000)	(19,000)	(23,282)	(4,282)
Fund Balance - Beginning of year	86,390	86,390	101,612	15,222
Fund Balance - End of year	<u>\$67,390</u>	<u>\$67,390</u>	<u>\$78,330</u>	<u>\$10,940</u>

LONDON TOWNSHIP

Water Debt Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special assessments			\$21,894	
Interest income			14,714	
Total Revenues	40,000	40,000	36,608	(3,392)
Expenditures				
Debt service:				
Principal			27,608	
Interest and fees			14,579	
Total Expenditures	46,000	46,000	42,187	3,813
Net Change in Fund Balance	(6,000)	(6,000)	(5,579)	421
Fund Balance - Beginning of year	112,210	112,210	164,833	52,623
Fund Balance - End of year	<u>\$106,210</u>	<u>\$106,210</u>	<u>\$159,254</u>	<u>\$53,044</u>

LONDON TOWNSHIP*Nonmajor Governmental Funds
Combining Balance Sheet
March 31, 2008*

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>
	<u>Building Department</u>	<u>Liquor Law Enforcement</u>	<u>Sewer</u>
Assets			
Cash and cash with fiscal agent	\$2,131	\$0	\$15,726
Certificates of deposit	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$2,131</u>	<u>\$0</u>	<u>\$15,726</u>
Total Liabilities and Fund Balances			
Liabilities			
Due to other funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Liabilities	0	0	0
Fund Balances			
Reserved for debt service	0	0	15,726
Reserved for cemetery care	0	0	0
Unreserved	<u>2,131</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>2,131</u>	<u>0</u>	<u>15,726</u>
Total Liabilities and Fund Balances	<u>\$2,131</u>	<u>\$0</u>	<u>\$15,726</u>

Permanent Fund	
Hack - Rapps Cemetery	Total Nonmajor Governmental Funds
\$0	\$17,857
5,300	5,300
<u>\$5,300</u>	<u>\$23,157</u>
\$0	\$0
0	0
0	15,726
5,300	5,300
0	2,131
<u>5,300</u>	<u>23,157</u>
<u>\$5,300</u>	<u>\$23,157</u>

LONDON TOWNSHIP

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	Special Revenue Funds		Debt Service Fund
	Building Department	Liquor Law Enforcement	Sewer
Revenues			
Licenses and permits	\$21,731	\$0	\$0
State grants	0	680	0
Interest	0	0	52
Total Revenues	21,731	680	52
Expenditures			
General government	0	0	0
Public safety	31,932	680	0
Debt service	0	0	16,583
Total Expenditures	31,932	680	16,583
Excess (Deficiency) of Revenues Over Expenditures	(10,201)	0	(16,531)
Other Financing Sources (Uses)			
Operating transfers in	0	0	16,138
Net Change in Fund Balances	(10,201)	0	(393)
Fund Balances - Beginning of year	12,332	0	16,119
Fund Balances - End of year	\$2,131	\$0	\$15,726

Permanent Fund	
Hack - Rapps Cemetery	Total Nonmajor Governmental Funds
\$0	\$21,731
0	680
237	289
237	22,700
237	237
0	32,612
0	16,583
237	49,432
0	(26,732)
0	16,138
0	(10,594)
5,300	33,751
\$5,300	\$23,157

LONDON TOWNSHIP

Building Department Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Licenses and permits	\$38,000	\$38,000	\$21,731	(\$16,269)
Total Revenues	38,000	38,000	21,731	(16,269)
Expenditures				
Public safety:				
Building inspection	33,000	33,000	31,932	1,068
Net Change in Fund Balance	5,000	5,000	(10,201)	(15,201)
Fund Balance - Beginning of year	12,332	12,332	12,332	0
Fund Balance - End of year	\$17,332	\$17,332	\$2,131	(\$15,201)

LONDON TOWNSHIP

Liquor Law Enforcement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants:				
Liquor license fees	\$800	\$800	\$680	(\$120)
Expenditures				
Public safety:				
Liquor inspection	800	800	680	120
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of year	0	0	0	0
Fund Balance - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

LONDON TOWNSHIP

Sewer Debt Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest	\$0	\$0	\$52	\$52
Expenditures				
Debt service:				
Principal			15,000	(15,000)
Interest and fees			1,583	(1,583)
Total Expenditures	16,000	16,000	16,583	(583)
Excess (Deficiency) of Revenues Over Expenditures	(16,000)	(16,000)	(16,531)	(531)
Other Financing Sources				
Operating transfers in	16,000	16,000	16,138	138
Net Change in Fund Balance	0	0	(393)	(393)
Fund Balance - Beginning of year	0	0	16,119	16,119
Fund Balance - End of year	\$0	\$0	\$15,726	\$15,726

LONDON TOWNSHIP

Hack - Rapps Cemetery Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$200	\$200	\$237	\$37
Expenditures				
General government:				
Cemetery	<u>35</u>	<u>35</u>	<u>237</u>	<u>(202)</u>
Net Change in Fund Balance	165	165	0	(165)
Fund Balance - Beginning of year	<u>5,300</u>	<u>5,300</u>	<u>5,300</u>	<u>0</u>
Fund Balance - End of year	<u>\$5,465</u>	<u>\$5,465</u>	<u>\$5,300</u>	<u>(\$165)</u>

LONDON TOWNSHIP

Tax Collection Agency Fund
Statement of Changes in Assets and Liabilities
March 31, 2008

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Assets				
Cash	<u>\$3,961</u>	<u>\$2,775,236</u>	<u>\$2,776,405</u>	<u>\$2,792</u>
Liabilities				
Due to other governmental units	\$3,961	\$223,307	\$226,268	\$1,000
Due to taxing units	<u>0</u>	<u>2,551,929</u>	<u>2,550,137</u>	<u>1,792</u>
Total Liabilities	<u>\$3,961</u>	<u>\$2,775,236</u>	<u>\$2,776,405</u>	<u>\$2,792</u>



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Township Board
Township of London
13613 Tuttlehill Road
Milan, Michigan 48160

In planning and performing our audit of the financial statements of the Township of London as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Uniform Chart of Accounts

During the audit, we noted that the Township's chart of accounts needs to be updated to be in compliance with the State of Michigan's uniform chart of accounts for local units of government. It is important that all accounts contain the proper account structure consisting of a 9 digit account number indicating the fund, activity, and the object. These account numbers should then be grouped by function (i.e. General Government, Public Safety etc.) Please refer to the Michigan Department of Treasury's Uniform Chart of Accounts for Counties and Local units of Government for guidance. If you need assistance updating your accounts please contact us.

Segregation of Duties

As with many smaller governments, staffing limitations and cost constraints affect the Township's ability to completely segregate accounting duties. It is important that the Township design and implement checks and balances between the clerk and treasurer as part of their internal control structure. One of those checks and balances is a monthly reconciliation between the clerk and the treasurer. During the fiscal year, this process was not performed timely and we noted months where no reconciliation was performed. We suggest that the clerk and the treasurer perform a monthly reconciliation of all recorded general ledger activity. If you need assistance in developing controls please contact us.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Financial Statements

The Township of London does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of its financial statements in accordance with GAAP.

The following comment is not a significant deficiency or material weakness but is a suggestion to improve your existing accounting and control systems.

Computer System Back-Up Plan

The Township has installed a network for its computers. A part of any good system is a properly instituted and maintained back-up plan to insure a minimal loss of data should the network fail. A proper plan should include timely and multiple back up's and offsite storage. The present plan should be reviewed by your computer consultant or us to see if it is adequate.

This communication is intended solely for the information and use of the Board members, management, and others within the Township of London and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Cooley Hehl Wohlgenuth & Co. LLP".

September 2, 2008